DIVIDEND DISTRIBUTION POLICY

Version 6.0

TAMILNAD MERCANTILE BANK LTD

SECRETARIAL SECTION

DIVIDEND DISTRIBUTION POLICY

Document History

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5	Recommended by	Stakeholder’s Relationship Committee of the Board
6	Review by	Board of Directors

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1.00	03.08.2021	Policy framed for Initial Public Offer
2.00	01.04.2022	Annual Review of Policy
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TAMILNAD MERCANTILE BANK LTD., SECRETARIAL SECTION

Dividend Distribution Policy

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DIVIDEND DISTRIBUTION POLICY

A. BACKGROUND

This Policy is formulated in accordance with the Master Direction on **"Prudential Norms on Declaration of Dividend and Remittance of Profits by Commercial Banks"**, vide No.RBI/2025-26/387 DOR.ACC. REC. No. 427/21.02.067/2025-26 dated March 10, 2026, read with other associated Circulars issued by the Reserve Bank of India ("**RBI**") and Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"LODR Regulations"**) and **Section 123 of the Companies Act, 2013.**

The following policy has been initially framed by the Board of Directors of **Tamilnad Mercantile Bank Limited** at its meeting held on 03.08.2021, with an intent to reward the shareholders of the Bank by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for the growth of the Bank.

B. APPLICABILITY

In accordance with LODR Regulations, Top 1000 Listed Companies based on Market Capitalisation as at the end of March 31 of every financial year are required to formulate Dividend Distribution Policy (**"Policy"**), and disclose the same on the website and Annual Report of the **Company**.

C. DEFINITIONS

1. "**Applicable Laws**" shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time, Banking Regulation Act 1949 and the rules made there under and such other act, rules or regulations including the guidelines issued by the Reserve Bank of India, which provides for the distribution of Dividend **by Banks in India.**

2. **'Bank'** shall mean the Tamilnad Mercantile Bank Limited

3. '**Board'** means the Board of Directors of the Bank

4. '**Dividend Payout Ratio (DPR)'** shall be calculated as a percentage of 'dividend payable in a year' to 'net profit during the year'.

5. **'Adjusted Profit After Tax (PAT)'** means PAT of the financial year for which the dividend is proposed to be paid *minus* 50 per cent of Net NPA as on March 31 of the financial year for which the dividend is to be paid.

6. **'Dividend'** means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS);

7. **'Extra-ordinary profit/income'** shall have the same meaning as defined under applicable Accounting Standards.

Words and expressions used and not defined herein shall have the meaning respectively assigned to them under the Banking Regulation Act, 1949, Companies Act, 2013 or other applicable laws.

D. BOARD OVERSIGHT

The Board would ensure the following while considering the proposal for the declaration of dividend of a bank:

(1) The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed, if any, under supervisory findings of the Reserve Bank;

(2) Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year for which the dividend is proposed;

(3) Current and projected capital position vis-à-vis applicable regulatory capital requirement; and

(4) Long-term growth plans.

E. CRITERIA TO BE CONSIDERED BEFORE DECLARATION OF DIVIDEND

1. <u>Statutory and Regulatory Compliance</u>

The Bank can declare dividend only after ensuring compliance with the Banking Regulation Act, 1949, various regulatory guidelines on dividend declaration issued by RBI from time to time and the provisions of the Companies Act, 2013, the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended to the extent applicable to the banking companies.

The Bank must meet the following prudential requirements to be eligible to declare dividend or remit profit.

1. The bank was in compliance with the applicable regulatory capital requirement as at the end of the previous financial year and shall continue to be in compliance as at the end of the financial year during which the dividend is proposed to be paid.
2. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
3. The bank incorporated in India shall have positive adjusted Profit After Tax (PAT) for the period for which the dividend is proposed.
4. The bank shall not be under any explicit restrictions for declaration of dividend or remittance of profit from the Reserve Bank or any other authority.

2. <u>Financial parameters</u>

i. Financial performance of the Company for the year in which the dividend is sought to be declared.
ii. Bank's long-term growth plans.
iii. Any interim dividend paid.
iv. Basel III Capital requirements.
v. Cash flow required to meet contingencies.
vi. Dividend payout trends.
vii. Such other factors and/or material events which the Board may consider.

3. <u>Internal and external factors</u>

The decision on payment of dividend would depend on the internal factors such as business expansion plan, future capital requirements, shareholder expectations, adequate balances in specified reserves, as may be applicable at the time of declaration of dividend.
Apart from the internal factors, the board shall take into account other external factors such as statutory and regulatory requirements, prevailing tax regulations, macro-economic environment, etc.

4. <u>Utilisation of retained earnings</u>

Considering the Bank's overall growth in the future, the Bank shall utilize/allocate its retained earnings in such a manner most beneficial to interest of the Bank and its stakeholders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the Bank's future business growth/ expansion and strategic plans or such other purpose the Board may deem fit from time to time.

5. <u>**Circumstances under which Bank may or may not declare dividend**</u>

The Bank may not declare dividend for a particular year in case it does not meet any of the eligibility conditions, including any regulatory restrictions placed on the Bank or need of capital as may be decided by the Board.

6. <u>**Parameters adopted for various class of shares**</u>

At present, the Company does not have any other class of shares (including shares with differential voting rights) except Equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders only.

F. QUANTUM OF DIVIDEND PAYABLE

A bank incorporated in India which satisfies the eligibility criteria as mentioned above may declare and pay dividend up to the limits prescribed in the **Annexure - 1**, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

G. MANNER OF PAYMENT OF DIVIDEND

In terms of Regulation 12 of LODR Regulations, the Bank shall use any of the electronic modes of payment facility approved by the RBI for the payment of the dividend.

Further, dividend payments to security holders holding securities in physical form shall be made in accordance with SEBI (LODR) Regulations, 2015 and SEBI circulars issued from time to time.

The Income Tax Act, 1961 ('the IT Act'), as amended by the Finance Act, 2020, mandates that dividend paid or distributed by a Bank after April 1, 2020, shall be taxable in the hands of the shareholders. Hence, the Bank will deduct tax at source (TDS) at the prescribed rate or/and any other tax as prescribed by the Government of India, as applicable, at the time of payment of dividend.

The Income Tax Act, 1961, will be replaced with the new Income Tax Act, 2025, with effect from 1st April 2026.

H. REPORTING & DISCLOSURE

1. The Bank shall disclose the details of dividend declared or remitted profit during **the financial year** to the RBI as per the format mentioned in **Annexure - 2 within a fortnight** of declaration of dividend / remitting profits to the Head Office.
2. The Bank shall declare and disclose dividend only on per share basis only as prescribed under Regulation 43 of LODR Regulations.
3. This Policy will be hosted on the website of the Bank and the web link of the same shall be provided in the Annual Report.

In the event of a conflict between the Policy and the provisions/ guidelines of the Applicable laws, then the latter shall prevail.

I. VALIDITY OF THIS POLICY

The policy shall be reviewed every year and is valid for one year from the date of approval by the Board and is valid till next review. Any regulatory/other changes in the intervening period will be implemented as and when the timeframe fixed by the regulator(s) and the same will be updated in the policy during the next review.

Annexure 1

MATRIX OF CRITERIA FOR MAXIMUM PERMISSIBLE RANGE OF DIVIDEND PAYOUT RATIO

A bank incorporated in India which satisfies the eligibility criteria mentioned in Clause E (Page No-2), may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	**CET 1 ratio as at the end of the previous FY**	**Dividend allowed as a % of adjusted PAT for the period**
B1	Up to (8 + z)%	0
B2	Above (8 + z)% and up to (10 + z)%	20
B3	Above (10 + z)% and up to (12 + z)%	30
B4	Above (12 + z)% and up to (14 + z)%	40
B5	Above (14 + z)% and up to (16 + z)%	50
B6	Above (16 + z)% and up to (17 + z)%	60
B7	Above (17 + z)% and up to (18 + z)%	70
B8	Above (18 + z)% and up to (19 + z)%	80
B9	Above (19 + z)% and up to (20 + z)%	90
B10	Above (20 + z)%	100

Note: 'z' in Table 1 refers to the respective applicable D-SIB buffer. 'z' shall be zero for a bank not classified as D-SIB.

Annexure 2

REPORTING FORMAT FOR DECLARATION OF DIVIDEND BY BANKS

Details of dividend declared / profit remitted to its Head office during the financial year

Name of the Bank – ______________________

Accounting period *	Net profit for the accounting period (₹ crore)	Net profit# for determining the Dividend Payout Ratio (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore) or Amount of profit/surplus remitted to Head Office and the rate of exchange applied	Dividend Payout ratio (per cent) or Profit/surplus remitted to Head Office as a percentage of net profit

* Quarter or half-year, or year ended, as the case may be

 # excluding any exceptional and/or extra-ordinary profits/income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), net unrealised gains on fair valuation of Level 3 financial instruments (including derivatives), reversal of excess provision and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India (as provided in Reserve Bank of India (Commercial Banks – Transfer and Distribution of Credit Risk) Directions, 2025).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Report to:
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